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Chairman: Mr. Niculescu (Romania)
later: Ms. Barrington (Vice-Chairman) (Ireland)

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The meeting was called to order at 10.20 a.m.

Agenda item 92: Macroeconomic policy questions

(A/55/68-S/2000/377, A/55/69-S/2000/378, A/55/71-S/2000/393, A/55/74, A/55/158-E/2000/102, A/55/257-S/2000/766, A/55/260-E/2000/108, A/55/310 and A/55/375)

- (a) **Trade and development** (A/55/15 (Parts I, II, III and IV), A/55/139-E/2000/93, A/55/320, A/55/396 and A/55/434-S/2000/926)
- (b) **Commodities** (A/55/139-E/2000/93 and A/55/332)
- (c) **External debt crisis and development** (A/55/183 and A/55/422)

1. **Mr. Ricuperu** (Secretary-General, United Nations Conference on Trade and Development) said that, the speed of the recent changes in international relations led him to share some thoughts on the current state of those relations and the global economy, and to examine how the latter would impact on the work of the United Nations Conference on Trade and Development (UNCTAD) and the work of the United Nations generally in the fields of trade, finance and development, in view of the major conferences to be held in 2001, namely, the Third United Nations Conference on the Least Developed Countries and the High-Level International Intergovernmental Event on Financing for Development.

2. There had been a decline in confidence in the international system, at the political and economic levels, and it was crucial that it should be re-established. That decline was worrying because the promises of the "new economy" and of a new cycle of growth could not be realized in the absence of a climate of confidence, without which, moreover, no long-term investment would be made. The goal of the aforementioned conferences was precisely to restore that confidence.

3. The loss of confidence in the international system was manifesting itself in numerous ways. The collapse of the Middle East peace process could be cited as the first example of a major failure of the efforts undertaken by the international community. It also constituted a test for the United Nations. The situation in that region had taken a negative turn just as public confidence was suffering another blow because of the

increase in oil prices and the demonstrations in reaction to that event in many countries. There was also the weakening of the euro despite the intervention of the central banks of the major industrialized countries, the instability of the stock markets and the resulting prospect of a slowdown in economic growth in the United States of America.

4. However, the global situation was generally positive and the economic growth rate in 2000 would no doubt be higher than in previous years (at least 3 to 3.5 per cent). World trade was experiencing a spectacular recovery. Moreover, normalcy had returned to the foreign exchange markets and the financial markets after the chaos brought about by the Asian crisis in 1997. The economic recovery in east and south-east Asia was impressive. All those factors pointed to a healthy economy, and it should not be forgotten, in that respect, that the American economic miracle had been sustained and that the United States was the only major industrialized country to have completed the transition to an economy based on technology, computerization of data and telecommunications, as noted by UNCTAD in 1995.

5. Nevertheless, erosion of the climate of confidence could in turn undermine the forces conducive to economic growth and development. Furthermore, the return to normalcy following the Asian crisis had been accompanied by a relaxation of vigilance, which had led to ignoring systemic issues in economic negotiations. The major forums addressing the problems of the global economy were taking initiatives, which, though commendable dealt with subjects of lesser importance. One might ask, for example, which one was actually dealing with the financial architecture, and which one was adopting fundamental measures for the management or prevention of financial crises. The same situation prevailed in respect of trade. Following the Third Ministerial Conference of the World Trade Organization in Seattle, negotiations on agriculture and services had resumed in Geneva and a debate was taking place on problems relating to implementation of the Uruguay Round of negotiations, but the fundamental problems of world trade were not being addressed. Nor was the fact that major sectors were not covered by the General Agreement on Tariffs and Trade — agricultural export subsidies, for example. Moreover, those issues, so important for the developing countries, were not likely to be examined in the near

future. The return to normalcy was bringing with it a wave of complacency with the result that while the issues under consideration were interesting, they were not perhaps of fundamental importance. The weakening of the climate of confidence and the rise of complacency could therefore undermine confidence in the long-term development of the global economy.

6. A recent report by the Organisation for Economic Cooperation and Development (OECD) suggested that there could be a return to a golden age, to what the French called "les 30 glorieuses", the 30 glorious years of the post-war period, an era in which the economic growth of the industrialized countries exceeded 5 per cent. But conditions then were different: from 1945 to 1971, the global economy was based on a system of stable exchange rates, whereas, since 1971, there were significant fluctuations, not between the currencies of the industrialized countries and those of developing countries, as might be expected, but between the currencies of the major industrialized countries (dollar, yen, euro). The Bank for International Settlements had drawn the attention of the international community to the dangers of an imbalance between the euro and the dollar. The stability of exchange rates was not the only explanation for the growth of those 30 years. It was a time of collaboration and coordination among the major economies (the Marshall Plan and OECD). It was that spirit of cooperation that had fostered a climate of confidence conducive to long-term investments. Consequently, there was a need to re-establish the climate of confidence in order to encourage investments so that countries could follow the American model and endeavour to incorporate the latest technology in their economies.

7. The United Nations system had a unique role to play with respect to the re-establishment of a climate of confidence at the political level (in the Middle East, for example) and at the economic level because of its impartiality and its concern for weak and vulnerable populations. In that connection, he considered that the Third United Nations Conference on the Least Developed Countries (to be held in May 2001 in Brussels) would test the will of the international community to combat poverty, and that the Event on Financing for Development would enable the aforementioned issues to be addressed, including the risk of reverting to a situation characterized by a net transfer of resources from the developing countries to the industrialized countries.

8. UNCTAD would continue its research on the elements conducive to a climate of confidence: sensible national economic measures, regional integration and the international financial and commercial architecture.

9. **Mr. Reyes Rodríguez** (President of the Trade and Development Board of UNCTAD) reported on the outcome of the work of the forty-seventh session of the Trade and Development Board. The Board had begun by addressing agenda item 3, Interdependence and global economic issues from a trade and development perspective: crisis and recovery in emerging markets. The recent crises experienced by certain emerging markets showed that, even in a period of recovery, triumphalism must be avoided. It had been observed that any tightening of monetary and budgetary policy by the industrial countries could be very damaging for developing countries and that the latter were also vulnerable in the event of a slowing down of the economies of the industrialized countries or abrupt changes in their macroeconomic policies. Furthermore, global economic growth had been unequally distributed among the regions, leading to trade imbalances detrimental to developing countries and emerging economies. The Board's Sessional Committee I had considered agenda item 4 concerning the least developed countries. UNCTAD, which attached great importance to the forthcoming United Nations Conference on the Least Developed Countries, was participating closely, along with other bodies of the United Nations system, in the preparatory process for the Conference and would spare no effort to ensure its success.

10. With reference to item 4 (a), concerning problems related to funding of growth and development in the least developed countries, the Board had studied the latest review of progress in the implementation of the Programme of Action for Least Developed Countries for the 1990s. In the corresponding report, certain key ideas had emerged: although the least developed countries continued to be dependent on official development assistance (ODA), it was constantly diminishing, which contributed to the microeconomic instability of those countries. Furthermore, debt relief was still insufficient and could not replace ODA; lastly, to be effective, the policies of local authorities required effective control of the allocation of assistance funds, within the context of a coherent, integrated budgetary process.

11. The Sessional Committee had also discussed item 4 (b), Review of the status of the preparatory process for the Third United Nations Conference on the Least Developed Countries, and had held a meeting on that subject with members of the corresponding WTO subcommittee, demonstrating its desire to conduct the preparatory work at the system level.

12. The Board had confirmed that Committee's conclusions regarding the need to accelerate sustainable growth and development in the least developed countries, to eliminate poverty there, to strengthen their production capacities, particularly in the social sectors (education and health), and to promote transparent governance of structural reforms, and their integration into an economy that was rapidly becoming globalized. It was indispensable to mobilize sufficient resources for those purposes.

13. The Board had welcomed the initiative taken by a major trading partner to provide for the elimination of all duties and quotas on products from countries entering the world market (with the exception of weapons). Following the first session of the Preparatory Committee for the Conference, the Board had considered and adopted the draft programme of action and had exchanged views with the Chairman of the Preparatory Committee concerning parallel events for the Conference (civil society, NGO forum).

14. The Board had taken note of the preliminary report of the High-Level Panel on progress in the implementation of the Programme of Action for Least Developed Countries for the 1990s, which it hoped would be rapidly finalized. It had also taken note of a statement on the financial situation of the preparations for the Conference and welcomed the assistance provided by the European Union, Norway and the Holy See.

15. Sessional Committee II had discussed item 5, regarding the contribution of UNCTAD to the implementation of the United Nations New Agenda for the Development of Africa in the 1990s. It had studied a report by the secretariat of UNCTAD on capital flows and growth in Africa. It had reached the conclusion that, despite significant reforms, current levels of savings and investment in Africa were too weak to guarantee sufficient investments in human resources and social and material infrastructure. It was unlikely that direct foreign investments would be sufficient to remedy that situation in the foreseeable future, and

ODA would continue to be the most important source of funds for Africa. Moreover, ODA should be integrated into a global approach encompassing, among other measures, a rapid reduction in the debt of African countries that carried out the appropriate policies and reforms. The Board had taken note of the recommendation of the Secretary-General of UNCTAD regarding the immediate suspension of the debt servicing of heavily indebted poor countries that were carrying out the necessary reforms. The African countries had been encouraged to implement reforms and to establish transparent governance, while at the same time promising to use the funds released by debt relief for poverty reduction, improvements to the social sectors and the rehabilitation of infrastructure.

16. One of the most innovative approaches recently adopted by UNCTAD was the introduction of a high-level debate into the Board's programme. The recent in-depth debate had dealt, in particular, with regional integration and the global economy, the contribution of regionalism to development in a globalized economy, monetary problems at the regional level, and regional integration agreements.

17. The high-level debate, which had brought together a group of outstanding participants, had reached the following conclusions: (i) regional integration agreements would become more important and must be made compatible with and complementary to the multilateral process; (ii) article XXIV of GATT should be reviewed, in particular, and the question of regional economic integration should be re-evaluated; (iii) it was essential for the various regional groups to take part in exchanges and dialogue with a view to strengthening regional economic integration; (iv) the possibility of systematizing preferential treatment envisaged under the regional integration agreements deserved careful study; (v) in view of the asymmetries and imbalances in the international economic system, a restructuring of the global financial architecture was required.

18. The Board had adopted several decisions during its regular session: a decision regarding a review of technical cooperation activities of UNCTAD and their financing; a decision regarding a review of the financial sustainability of certain technical cooperation programmes, pursuant to paragraph 164 (viii) of the Plan of Action adopted at the tenth session of UNCTAD; a decision regarding the implementation of paragraph 166 of the UNCTAD Plan of Action; a

decision on the evaluation of technical cooperation programmes, and a decision on the financing of experts from developing countries and economies in transition when participating in UNCTAD meetings. With regard to the last-mentioned decision, it should be emphasized that many meetings had benefited from the growing participation of experts from developing countries.

19. Finally, the Board had discussed item 6 (b) involving consideration of other relevant reports: report on UNCTAD's assistance to the Palestinian people. The debates devoted to that subject were reported in the annex to the report distributed to the members of the Second Committee (A/55/15).

20. **Mr. Doutriaux** (France), speaking on behalf of the European Union on agenda items 92 (b) and (c), said that the countries of central and eastern Europe associated with the European Union, the associated countries Cyprus, Malta and Turkey, and Iceland, aligned themselves with his statement.

21. Referring to item 92 (b) on commodities, he said that the Secretary-General's report drew a bleak picture of the situation. Long-standing trends seemed to be mounting and accelerating: for instance, the decreasing importance of commodities in the world market, the declining role of developing countries, particularly African countries, in commodity exports, and falling prices for most commodities without a matching drop in consumer prices. In addition, the recent sharp rise in the price of crude oil had had negative effects on the balance of payments of many of the least developed countries and other developing countries.

22. The European Union was seriously concerned about the impact of that situation on the economies of developing countries, in particular the least developed countries. In its view, only through determined efforts to diversify exports and to process commodities locally could producing countries reap the full benefits of the multilateral commercial system and moderate fluctuations in their export earnings. It was nevertheless aware that such development would take time, that it would be effective only if market access for those products was guaranteed, and that it would require significant financial and technical assistance. That was why the Cotonou Agreement concluded in 2000 with the Group of African, Caribbean and Pacific States (ACP) provided for a special account to be set up for the compensation of losses in export earnings from agricultural products and minerals.

23. The European Union also regretted the recent failure of certain international commodity agreements in which it actively participated. It had no choice but to acknowledge the inefficiency of agreements with economic clauses intended to stabilize commodity prices, as attested by the decision to liquidate the International Natural Rubber Organization. It nonetheless still believed, as did the Secretary-General, that commodity organizations which brought together producers and consumers continued to have a practical value.

24. Turning to agenda item 92 (c), on external debt, the European Union recognized that the burden of debt servicing was an important obstacle to action by the poorest developing countries to eradicate poverty. The substantial reduction in debt servicing allowed by the Highly Indebted Poor Countries (HIPC) initiative would thus release significant resources to tackle poverty effectively. That was why the European Union supported the debt cancellation measures for heavily indebted poor countries decided on under the enhanced HIPC initiative, which aimed to cut their debts to a sustainable level. The Union saw that initiative as an essential ingredient in the fight against poverty and for achieving the sustainable development objectives of the developing countries. Accelerated implementation of the initiative should enable the beneficiary countries to mobilize resources for reducing poverty, especially by allocating them to social sectors such as education and health, but also to promote the participation of civil society and human development.

25. Nevertheless, the European Union was not convinced by calls for total debt cancellation, in particular of multilateral debt, or for the lifting of conditions imposed by the HIPC procedure. Above and beyond the difficulties of financing such a step, total cancellation of debts held by bilateral donors and international financial institutions for developing countries would destroy the trust which was at the heart of lender-borrower relations and would have the effect of depriving recipient countries of the future funding they would need to ensure their development. Furthermore, the conditions attached to the HIPC procedure made sure that the amounts released by debt cancellations would definitely be invested in development. Without strict economic policies, a climate of trust with international financial institutions and sustained support from donors, developing countries would not escape from the cycle of over-

indebtedness, despite benefiting from a total cancellation of their debt.

26. The European Union called on eligible countries to take the necessary measures to begin the process. It also urged those creditor countries that had not yet done so to contribute to the financing of the enhanced HIPC initiative in order to share the burden fairly, and it reaffirmed its commitment to reaching the goal of 0.7 per cent of GDP for official development assistance (ODA) as soon as possible.

27. The European Union was aware that the difficulties experienced by low- and middle-income countries that were not eligible for the HIPC initiative might call for measures to be taken at the national and international levels. It was willing to examine any specific situation in the appropriate forums, in particular the Paris Club, provided that such examination was warranted by the finding, under an IMF programme, that there was a need for funding in the countries in question. It also considered positively the introduction of poverty reduction strategy papers (PRSP) in middle-income countries, since poverty still represented a serious concern in many of those countries.

28. **Mr. Wyatt** (European Union), speaking on agenda item 92 (a), said that the European Union was fully committed to the values and objectives enunciated in the Millennium Declaration. In order to put them into practice, it considered that trade and foreign direct investment conferred large efficiency benefits by fostering the international division of labour and disseminating the gains from technological progress, which in turn produced economic growth.

29. However, while globalization and full integration into the world economy were bringing benefits to many emerging economies, it had not done so for the least developed countries. That situation needed to be addressed by a collective effort of the international community and in particular by ambitious trade and development programmes.

30. The European Union had spearheaded an initiative of the World Trade Organization (WTO) to grant duty- and quota-free market access to exports from the least developed countries. It was prepared, moreover, to work towards the complete elimination of duties and quotas. However, the least developed countries might miss the new opportunities offered if their business sectors were not able to seize them. That

was why human and institutional capacity-building was so important.

31. An important objective of the World Trade Organization was to contribute to sustainable development. It should be borne in mind, however, that WTO was essentially a trade institution. National Governments and international organizations, including the United Nations Conference on Trade and Development (UNCTAD) and the Bretton Woods institutions, had primary responsibility for addressing the problem and the approach to development by all the various actors concerned should involve parallel efforts.

32. With regard to future trade negotiations, the European Union was fully aware that the industrialized countries bore a major responsibility for making the trading system more responsive to the needs of developing countries. It would do its part to reduce the distortions that impaired access by the developing countries to world markets, especially in those sectors in which they enjoyed comparative advantages. On the other hand, the Union expected developing countries to continue on a judicious path of liberalization from which they could only benefit.

33. More generally, it was important to ensure that the new round was open to all members of WTO. The negotiations must be balanced so that all participants could gain. In other words, all must contribute to setting an agenda that took account of the interests of all members of the Organization.

34. Enhancing the contribution of WTO to the promotion of sustainable development as an objective of future trade negotiations meant that a number of actions must be considered, including, firstly, substantial improvements in market access across the board to products of export interest for developing countries, which would imply a willingness by all trading partners to liberalize sensitive sectors. Secondly, the adoption by WTO of new rules on investment, competition and trade facilitation to improve the governance of the world economy. In the case of investment, that implied a bottom-up approach to market opening and fully respecting the right of Governments to regulate. With regard to competition, the central objective should be to strengthen international cooperation against anti-competitive practices, such as international cartels or abuse of a dominant position. Lastly, clarifying and, if necessary,

improving existing WTO rules from the perspective of sustainable development.

35. The European Union welcomed the successful outcome of UNCTAD X in Bangkok and encouraged UNCTAD to pursue its efforts aimed at ending the marginalization of the least developed countries and facilitating the integration of African countries into the world economy. It also welcomed the efforts of UNCTAD in providing developing countries with analytical support and technical assistance on trade matters to help them to integrate more fully into world trade. Lastly, the Union encouraged UNCTAD to continue its work on trade issues by helping developing countries, and particularly the least developed countries, to define their approaches for the next round of multilateral trade negotiations.

36. *Ms. Barrington (Ireland) took the Chair.*

37. **Mr. Baquero** (Colombia), speaking on behalf of the Rio Group, said that for the members of the Group, international trade free of restrictions and distortions was a key requirement for the success of the development process, which was based on policies of openness to the outside world and growth that resulted from an efficient allocation of productive resources. The Rio Group believed that the expansion of international trade was one of the instruments for increasing prosperity and therefore proposed the launching without delay of a new round of trade negotiations under the auspices of the World Trade Organization that would be global and comprehensive and would lead to the effective reduction of tariff and non-tariff barriers to trade in both goods and services. It was essential to strengthen the multilateral trading system and to promote open regionalism and closer economic relations between the regions of the world, in conditions of equity. The new round of negotiations must ensure the removal of the agricultural export subsidies of the developed countries and achieve in the short term conditions of free and transparent access to markets. It was also necessary to restore confidence in the international trading system by offering new opportunities to the developing countries from the opening up of markets in the developed countries. To that end, it was necessary to strengthen the World Trade Organization and to continue efforts aimed at the elimination of protectionist measures and the practice of subsidies. The deepening of regional and subregional integration based on open regionalism was also very important, since it helped to increase trade

flows in the international economy. The countries of the Rio Group were now going beyond processes of reciprocal trade opening and seeking deeper integration of their economies.

38. The Rio Group recognized the importance and potential of the development of electronic commerce and considered that it was essential to strengthen international cooperation in that area. The volatility of commodity prices, which remained very low, was of concern. A large number of countries in the region depended on the production and export of commodities, and the drop in prices was one of the principal causes of the increase in the external debt. It was thus important to ensure growth in the commodity export market by promoting stability in commodity prices.

39. On the subject of the external debt problem, the Rio Group believed that there was an urgent need to seek mechanisms that would permit adequate access to external resources for the financing of the development process. The countries of Latin America and the Caribbean too were affected by over-indebtedness, and the Rio Group considered that formulas should be found to ease the conditions for granting debt relief and to strengthen the financing capacity of multilateral bodies to implement such programmes. Multilateral arbitration mechanisms for dispute settlement during the renegotiation of external debt must also be strengthened. Structural adjustment programmes must include components for social protection and poverty reduction. The financing of debt relief must not weaken other development activities and ODA, the significant decline of which had been felt in the region. Foreign direct investment flows must continue to promote the sustainable development of the countries of the region.

40. **Mr. Sami** (Bangladesh) said that his delegation associated itself with the statement made by the Group of 77 and China, and wished to add a few comments with special reference to the LDCs.

41. The issues of trade and development were given priority attention by the developing countries in all multilateral forums. Although those who benefited most in trade had always been the most industrialized countries, it was always considered that the poorest too had much to gain from the opportunities resulting from trade, and that trade was the most important engine of growth for the fragile economies of the LDCs. That conviction had led the General Assembly to decide that

UNCTAD would be the focal point for the Programme of Action for the Least Developed Countries for the 1990s.

42. Yet over the past decade, and contrary to the other developing countries which had mostly seen an expansion of their trading opportunities, the LDCs had experienced a steady decline in international trade. With 10 per cent of the world population, they represented only 0.4 per cent of world exports. That progressive and relentless marginalization provided ample proof that, despite the measures recently taken, no whole-hearted effort had been made to stop that downward spiral.

43. A number of essential measures must be urgently taken to help the LDCs benefit from international trade. The proposals put forward in Bangkok at the tenth session of UNCTAD mentioned in particular the opening of international markets to exports, the promotion of the transfer of information, skills and technology and an increase in the financial resources available for investment in physical and intangible assets. The asymmetries and imbalances of the international economy must be redressed. ODA was currently at the lowest level on record, which was not a reflection of the development partners' desire to increase support. The debt burden continued to grow, absorbing a sizeable share of the limited foreign currency earnings which LDCs derived from trade. Ironically, products from the poorest countries were subject to tariffs 30 per cent higher than the global average. All products from such countries should have free access to international markets. There was a strong need to improve the general system of preferences, in particular for LDCs, with the objective of integrating those countries into the international trading system. Tariff structures must be simplified in the developed countries and tariff restrictions should be totally eliminated for exports from LDCs. Lastly, commodity exports should be diversified and at the same time market transparency and information should be improved by giving companies the means to use such information.

44. Clearly, such problems must be addressed comprehensively. The preparation for the Third United Nations Conference for the Least Developed Countries offered an excellent opportunity to begin that process. The measures announced by several countries in respect of market access were encouraging, and his

delegation hoped that other leading countries would follow their example.

45. Mr. Leiro (Norway) said that, although globalization had produced positive results in many countries, it had also contributed to worsening the marginalization of some others. A better integration of all the developing countries must be secured in the multilateral trading system. It was only by integrating the interests of all trading partners and assisting the poorest countries in taking part in the multilateral trading system that the necessary consensus could be established to launch a new round of trade negotiations. In that respect, UNCTAD had an important role to play as a forum for intergovernmental deliberations and consensus-building regarding the process of globalization and the interdependence between trade, investment, transfer of technology and sustainable development. Technical cooperation too was a crucial element in the process of integrating the LDCs into the world economy, and UNCTAD must work with the International Trade Centre (ITC) and the World Trade Organization (WTO). It was important to avoid duplication, by pooling resources and coordinating activities. That was the rationale behind the establishment of the Integrated Framework for Trade-Related Technical Assistance to the LDCs, which Norway strongly supported. The Integrated Framework, as an instrument for trade-related capacity-building, needed to be strengthened, and trade should be mainstreamed into country development policy frameworks and strategies. National policies and international support measures were interlinked: national Governments had the prime responsibility to implement policies which would make it possible to bring about economic growth and meet social needs. For that, an international context conducive to trade would be essential.

46. The economies of poor developing countries were severely strained by heavy debt burdens. Solving that problem was among the most pressing concerns in international development policy. The enhanced Heavily Indebted Poor Countries (HIPC) debt initiative was a mechanism which would give the most indebted countries a new chance. It was profoundly regrettable that the long-term financing requirements of the Initiative had still not been met. The Lisbon Agreement concluded in June 2000 had been a decisive step towards meeting the Initiative's financing needs. Norway supported the efforts of the Bretton Woods

institutions to implement the enhanced Initiative and considered it commendable that some 20 countries could reach their decision point by the end of the year. That would be an important contribution to the fulfilment of the debt-relief goals set by the international community.

47. **Mr. Loh** (Singapore), speaking on behalf of the Association of South-East Asian Nations (ASEAN), said that the member countries had in the past two years staged an overall recovery from the regional economic and financial crisis. That crisis had come as a severe shock after years of rapid growth, and had proved that no country was immune to the contagious consequences of global financial market instability, whatever the strength of its economy or its level of economic growth. It had also exposed the difficulties of managing a domestic economy in an increasingly integrated global economy. The ASEAN countries had responded to the crisis and the various challenges of globalization with policies adapted to their domestic circumstances, with the aim of maximizing opportunities and minimizing risks and costs. Another factor which was just as important as national policies was the fact that the ASEAN countries had responded to the crisis as a whole at the regional and international levels, despite the disparities in their respective economic structures. The ASEAN region generally had sustained an open orientation towards trade and investment, even in the midst of the financial crisis. Trade liberalization was an important vehicle for development and for foreign direct investment with a view to reinvigorating and improving the long-term prospects of the economies affected by the crisis. The ASEAN countries had therefore put in place a series of regional initiatives to assure potential investors of the continued viability and vibrancy of the region. Recognizing the importance of bridging the digital divide and of benefiting from the knowledge-based economy, the ASEAN leaders had agreed to the creation of a free-trade zone for goods, services and investments for information and communication industries to ensure that the ASEAN countries could be competitive in the new knowledge-based economy.

48. At the international level, the ASEAN countries fully and actively participated in multilateral world trade negotiations. They supported opening a new round of negotiations as soon as possible, to consider such questions as improved access to markets for agricultural goods, the impact of trade on global

development and strengthened capacities in developing countries, especially the least developed countries. They were also in favour of setting up a multilateral trade system that would be universal, free, fair and regulated. Such a system should function without discrimination and in a transparent manner, which would benefit all countries, especially the developing countries. ASEAN therefore hoped that all States wishing to accede to the World Trade Organization agreements would be able to do so as soon as possible. It requested fast-track entry to the Organization for three of its members, Cambodia, the Lao People's Democratic Republic and Viet Nam.

49. **Mr. Own** (Libyan Arab Jamahiriya) said, in the context of economic globalization, that the adoption by many countries of trade liberalization policies, political stability and a substantially improved legal framework for telecommunication had led to increased capital flows, which paid for investment. Nonetheless, the world economy was not developing in a fair and equitable manner: the developed countries had benefited, but the vast majority of developing countries continued to live in conditions of poverty and marginalization. Financial globalization and its effects on industrial activity were the two basic causes of the instability which had been evidenced by the successive financial crises, particularly in Europe, Mexico, Asia and Brazil. The rapid spread of such crises clearly showed the inability of the international financial system to regulate all the problems arising out of a world economy that was in the process of transformation. Although economic activity was expanding in some countries, the African continent remained the most backward overall in the sphere of economic development, owing to the fact that many African countries were unable to make significant economic progress for lack of financial resources. The continent faced numerous difficulties. Constraints of an administrative nature imposed by protectionist advanced countries, such as external debt, ever-decreasing official development assistance, insufficient direct foreign investment and problems with access to the necessary technologies, had a damaging impact on foreign trade.

50. In principle, trade liberalization and mutual benefit policies were admirable, but the fact was that the path leading to those objectives was strewn with difficulties, since existing measures and systems had been devised with the needs and the situation of the

industrialized countries in mind. Their workings were hard to handle for the developing countries, which were desperately short of resources, had globally weak economies and insufficiently developed financial markets, lacked the necessary development funding and were falling ever farther behind technologically. As for international trade, the relationship between the industrialized and the developing countries was fundamentally unbalanced, in that the latter exported staple products and raw materials, while importing manufactured products. The doctrine favoured by the industrialized countries, so-called "comparative advantage", was based on the idea that each country would, by specializing in goods that it could produce more profitably than other countries, increase its exports and make the best use of its resources. Many economists believed, however, that the result of such specialization was to keep developing countries in subjection to developed countries and prevent them from enjoying the beneficial effects of industrial activity, namely improved labour skills, the development of innovation and the growth and consolidation of export prices, with a resulting rise in incomes. In other words, the industrialized countries retained their specialization in industry and automatically became the only ones to profit by its cumulative beneficial effects.

51. It was therefore necessary to change traditional trade arrangements, reform the international economic system, build up complementarity and cooperation on a firm foundation, take account of the development needs and the situation of the developing countries and find appropriate solutions to the problems and difficulties confronting them. Numerous resolutions had been adopted by the General Assembly requiring the international community to take fair and appropriate measures in the sphere of trade and development, but some industrialized countries persisted in their desire to continue imposing their will on all the peoples of the world, using measures of economic coercion, even to the extent of imposing embargoes.

52. His country, like many others in Asia, Africa and Latin America, had been and continued to be subjected to measures of economic coercion imposed by the United States of America, including freezing of assets and a prohibition on technology transfers. His delegation urged the international community to take urgent and effective steps to prevent certain developed countries from using such unilateral measures against

others in violation of the principles of the Charter of the United Nations.

53. **Mr. Isakov** (Russian Federation) welcomed the positive changes which, according to the report on trade and development by the United Nations Conference on Trade and Development (A/55/15), had occurred in the world economy and trade in 1999. The forecasts for 2000 were encouraging. At the same time, as the report pointed out, disproportions in development and trade imbalances could lead to increased protectionism in the international markets, evidence of the fact that the international trade system was still far from perfect and that the rules were in need of improvement. The main purpose of the international efforts in that sphere should be the establishment of stable, predictable and non-discriminatory terms of access to international goods and services markets for, among others, developing countries and economies in transition, since only thus could they rely on international trade as one of the main sources of funding for economic and social development.

54. His delegation was therefore particularly concerned by the growing popularity of some forms of hidden protectionism, such as anti-dumping measures, in both developed and developing countries. It was in favour of improving international controls on the observance of agreed dispute settlement proceedings and of taking resolute action to counter protectionism. Further trade liberalization should, however, take full account of world economic conditions. As far as internal markets were concerned, full consideration should be given to the peculiarities and level of economic development of various countries, as well as the degree of preparedness in their legal and regulatory structures, in order to protect their economic interests.

55. The most significant need was to apply more vigorously the principle of the universality of the multilateral trade system by eliminating the discriminatory requirements imposed on developing countries and economies in transition for entry to the World Trade Organization. His delegation therefore supported the proposal by the European Union for fast track admission for the least developed countries, which was in line with the appeal by the Secretary-General and the Millennium Summit for specific measures to be taken to establish a favourable trade regime for such countries.

56. His delegation reaffirmed its high appreciation of the activities of the United Nations Conference on Trade and Development as the coordinator of United Nations activities in those fields. Its practical assistance to Member States with their integration into the multilateral trade system and the world economy deserved particular gratitude.

57. The problem of external indebtedness was one of the major obstacles on the path to sustainable development. The implementation of the Heavily Indebted Poor Countries Debt Initiative should therefore be a high priority. At the same time, the Initiative should remain balanced as to objectives and resources. It should not lead to malfunctions in the work of the international financial institutions and the international financing mechanisms. An important condition remained equitable burden-sharing among the creditor States.

58. The attention of the competent international institutions should also be drawn to the difficult situation of severely indebted middle-income countries. Excessive debt-service payments were seriously undermining the implementation of necessary economic and social reforms in such countries. Aid in the form of debt relief would enable them to reduce their external debt more rapidly to a sustainable level.

59. **Mr. Olukanni** (Nigeria), speaking on behalf of the Group of 77 and China, praised the high quality of the reports submitted by the United Nations Secretariat and the secretariat of UNCTAD, but deplored the late issuance of the report on external debt (A/55/422). He urged the United Nations Secretariat to ensure timely release of such important reports.

60. As the world entered an era of a new global economy driven by information and communications technology, the importance of commodities in world trade steadily declined. The share of developing countries in world trade also continued to decline and, even more worrisome, the prices of commodities remained at their lowest levels in many years. In view of the clear link in developing countries between poverty and commodities, the efforts those countries were making to combat poverty and ensure development continued to be hampered. There was an urgent need for renewed efforts at international cooperation in the area of commodities, with the primary objectives of promoting the growth of semi-processing industries in developing countries to enable

them to earn greater revenues from their export trade and of encouraging diversification of their export base to avoid competing with the same export products in the limited markets of the developed countries.

61. The failure of the ministerial conference of the World Trade Organization (WTO) in Seattle revealed a general dissatisfaction with the current asymmetry in the multilateral trading system. In that failure the Group of 77 saw a challenge for international cooperation. The successful outcome of the tenth session of UNCTAD held in Bangkok, had shown that it was indeed possible to surmount the obstacles in the multilateral trading system by adopting measures that would win the confidence of developing countries and ensure that they would benefit from that system. In other words, steps should be taken to ensure their full integration into the world economy and the international trading system, notably by incorporating the agricultural trade sector into normal WTO rules, focusing on the problems of agrarian small island developing countries, opening developed country markets to exports from developing countries, providing duty-free and quota-free access for the exports of the least developed countries and eliminating tariff peaks. In the new multilateral negotiations, special attention should be paid to providing adequate assistance to developing countries to facilitate the creation of infrastructure and other conditions necessary for the effective implementation of the multilateral agreements concluded, to ensure that those countries could benefit from the opportunities offered by the agreements.

62. Attempts to reform the international trading system would remain fruitless, however, as long as the external debt problem of developing countries remained unresolved. More than two decades after its emergence on the international scene, the crisis persisted and the report on the topic (A/55/422) presented a sombre picture of the current situation. At present, as in the past, the debt problem clearly remained one of the major obstacles to development. Bold action was needed to arrive at a definitive solution to the problem.

63. Despite the modest growth achieved by many heavily indebted poor countries (HIPC), debt restructuring continued to pose problems, and those countries remained exposed to the adverse developments in commodity prices, interest rates and private capital flows. The HIPC Initiative had many

shortcomings, chief among them the excessive and restrictive conditions imposed for the granting of aid and the cumbersome administrative procedures involved. As the figures cited in the report showed, the Initiative, despite good intentions, had not resolved the problems of heavily indebted poor countries.

64. While non-HIPC debtors had experienced some relief measures, particularly in the form of cancellation of official debt, their overall situation had not improved, owing primarily to the decline in official development assistance. Severely or moderately indebted middle-income countries and indebted low-income countries continued to be mired in difficulties with their own particular debt profiles. Although some of them had apparently been able to negotiate a reduction of their debt to commercial banks, recent international financial crises had shown the shortcomings of international arrangements for commercial debt work-outs. Of particular note in that connection was the absence of an effective mechanism for involving private creditors in the prevention and resolution of liquidity crises in order to prevent an unequal and unfair distribution of the burden between debtors and creditors. That particular problem had demonstrated the need to devise an effective way of dealing with the rapid exit of creditors, speculative attacks on currencies and the resulting capital flight.

65. The implication of the foregoing was that the debt relief programmes of the multilateral financial institutions continued to have serious shortcomings. There was an urgent need for radical action on three fronts: HIPCs, official debt and non-HIPC bank debt. As reflected in the Havana Programme of Action, the international community must work towards outright cancellation of the unsustainable debt of developing countries and search for a just and lasting solution to the problem of the external debt of those countries, including the establishment of a new international financial architecture in which developing countries would be adequately represented.

66. Against that background, the Committee should examine closely the proposal put forward in the report for the appointment of an independent panel of experts to do an objective assessment of all aspects of the external debt problem. While appreciating the efforts and sympathetic views of some creditor and donor countries, the Group of 77 believed that it was time to move beyond palliatives and to find a definitive solution. Until the noose of debt around the neck of

developing countries was loosened, it could not be said that humanity was free, in an interdependent world where the fate of the rich and the poor was intertwined.

67. **Mr. de Moura** (Brazil), speaking on behalf of the member countries of the Southern Common Market (MERCOSUR), expressed agreement with the views expressed by the representatives of Nigeria on behalf of the Group of 77, Columbia on behalf of the Rio Group, and Australia on behalf of the Cairns Group. The trade liberalization programme pursued by MERCOSUR since 1991 had tripled regional trade between the four members of the Group and was based on the principle that subregional economic integration would contribute significantly to the realization of the wider objectives of the multilateral trading system. The MERCOSUR countries practised and observed the principles of open regionalism, despite the serious obstacles and restrictions placed on the export products of the countries concerned. For confidence in the international trading system to be restored, developing countries would have to be given new opportunities and ensured access to the markets of developed countries. Unfortunately, a number of trade policy instruments were employed for protectionist purposes, such as anti-dumping measures, voluntary limits on exports and other non-tariff barriers. The MERCOSUR countries felt that the negotiations deriving from the Uruguay Round should be continued with a view to eliminating protectionism and subsidies in order to achieve a greater degree of balance in the multilateral trading system. An open, fair and non-discriminatory system, accompanied by environmental measures adopted at the multilateral level, was essential for promoting sustainable development. Protectionist practices, subsidies and employment restrictions were obstacles to trade and could pose serious problems for preservation of the environment, sustainable development and poverty reduction. With a new economy coming into being, the MERCOSUR countries recognized the importance and potential of electronic commerce, but thought that it was premature to consider specific commitments in that regard. It was time for all countries to examine carefully the issues of access to markets and reduction of agricultural subsidies on both domestic production and exports of developed countries. It was essential to promote broader and more active participation by developing countries in multilateral trade negotiations and to provide them with benefits that would foster economic growth and eliminate poverty. The major world actors

should show flexibility in the consideration of sensitive issues such as agriculture and anti-dumping measures while WTO should strengthen and improve the multilateral trading system.

68. **Archbishop Martino** (Observer for the Holy See) noted with satisfaction that, in recent years, the world had witnessed important progress on the remission of the debt of the poorest countries. As a result of the celebration of the Great Jubilee Year 2000, great efforts had been made to make public opinion aware of that issue, which was one of justice. At the same time, it was now widely recognized that, for the poorest countries, debt relief made sense in terms of economic and development policy. The resources needed for the enhanced HIPC Initiative appeared to have been gathered. It was now a question of ensuring that its aims were realized rapidly so that, as Pope John Paul II had often stressed, the largest possible number of countries would benefit from debt relief by the end of the year 2000. Debt relief was urgent if the United Nations wished to move forward rapidly in the fight against poverty and to achieve the development targets which Governments had themselves set, most recently during the Millennium Summit, especially that of reducing absolute poverty by 50 per cent by the year 2015. In a world that had witnessed enormous scientific progress and the amassing of great wealth, such a target was a modest one. The growing awareness of the interdependence of the world must foster a spirit of solidarity and scientific progress must be accompanied by an ethic of sharing.

69. Debt relief was not an end in itself. It should be part of the broader framework of human development where the resources freed were utilized in favour of the poor and directed to improving health and education and to those areas which most needed social investment. The emphasis on national ownership and the involvement of various sectors of society would greatly contribute to efficiency and transparency.

70. National poverty-reduction strategies should be adapted to the concrete circumstances in each country. Countries which had recently emerged from conflict or from totalitarian rule did not necessarily have available to them all the elements needed for a well functioning civil society. It would be paradoxical if the work of devising poverty reduction strategies were actually to slow efforts to reduce poverty or impose a new set of conditions which would make debt relief more difficult. There should also be flexibility in monitoring

and consolidating progress, especially to take into account the fact that external economic shocks could have severe repercussions on particular countries, as the recent increase in oil prices had demonstrated.

71. The current picture was not all positive. The enhanced HIPC Initiative was insufficient on its own to help the least developed countries to tackle their problems of poverty and to achieve faster economic growth. They continued to suffer from the negative effects of protectionism imposed by the rich and substantial volumes of the funds destined for development assistance were used to finance debt-servicing payments. The community of nations and its international institutions must seek new means of achieving greater debt relief for the poorest nations and, in some cases, even consider cancelling debt altogether. It was the generosity and sense of solidarity shown by many citizens of the wealthier countries which had encouraged their political leaders to take the first courageous steps in that direction. They should go still further.

72. In that context, the Holy See attached importance to the upcoming high-level international intergovernmental event on financing for development. Official development assistance remained essential. Commitments made in that regard were a moral obligation which must be honoured. The private sector must also assume its social responsibility. In his World Day of Peace message on 1 January 2000, Pope John Paul II had stressed that the world needed a "new culture of international solidarity". An interdependent world could not be sustained only on the basis of the defence of narrow private or national interests. It required solidarity.

Announcement concerning sponsorship of draft resolutions

73. **The Chairman** announced that Malta had become a sponsor of draft resolutions A/C.2/55/L.7 and A/C.2/55/L.11 resubmitted under agenda items 98 and 95, respectively; France had become a sponsor of draft resolution A/C.2/55/L.4 resubmitted under agenda item 94 (b).

The meeting rose at 1.10 p.m.